



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463


July 28, 2011

MEMORANDUM

To: The Commission

Through: Alec Palmer
Acting Staff Director

From: Patricia Carmona 
Chief Compliance Officer

Thomas Hintermister 
Acting Assistant Staff Director
Audit Division

Thomas Nurthon 
Audit Manager

By: Terry O'Brien 
Lead Auditor

Subject: Audit Division Recommendation Memorandum on the Ohio Republican
Party State Central & Executive Committee (A09-14)

Pursuant to Commission Directive No. 70 (FEC Directive on Processing Audit Reports), the Audit staff's recommendation is presented below and the finding is discussed in the attached Draft Final Audit Report. The Office of General Counsel has reviewed this memorandum and concurs with the recommendation.

Reporting of Debts and Obligations

The Audit staff recommends that the Commission find that the Ohio Republican Party State Central & Executive Committee failed to disclose debts and obligations for calendar years 2007 and 2008.

The Committee did not request an audit hearing.

If this memorandum is approved, a Proposed Final Audit Report will be prepared within 30 days of the Commission's vote.

Should an objection be received, Directive No. 70 states that the Audit Division Recommendation Memorandum will be placed on the next regularly scheduled open session agenda.

Documents related to this audit report can be viewed in the Voting Ballot Matters folder. Should you have any questions, please contact Terry O'Brien or Tom Nurthen at 694-1200.

Attachments:

- Draft Final Audit Report of the Audit Division on the Ohio Republican Party State Central & Executive Committee

cc: Office of General Counsel



Draft Final Audit Report of the Audit Division on the Ohio Republican Party State Central & Executive Committee

(January 1, 2007 - December 31, 2008)

Why the Audit Was Done

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act. The audit determines whether the committee complied with the limitations, prohibitions, and disclosure requirements of the Act.

Future Action

The Commission may initiate an enforcement action, at a later time, with respect to the matter discussed in this report.

About the Committee (p. 2)

The Ohio Republican Party State Central & Executive Committee is a state party committee headquartered in Columbus, Ohio. For more information, see the chart of the Committee Organization, p. 2.

Financial Activity (p. 2)

• Receipts	
○ Contributions from Individuals	\$ 3,058,229
○ Contributions from Political Committees	1,666,512
○ Transfers from Affiliated Organizations	11,851,559
○ Transfers from Non-Federal Accounts	2,385,909
○ Offsets/Other Receipts	1,310,775
Total Receipts	\$ 20,272,984
• Disbursements	
○ Operating Expenditures	\$ 5,304,397
○ Refunds of Contributions	1,747,000
○ Independent Expenditures	50,000
○ Coordinated Expenditures	13,003
○ Federal Election Activity	10,710,668
○ Other Disbursements	1,345,414
Total Disbursements	\$ 19,170,482

Finding and Recommendation (p. 3)

- Reporting of Debts and Obligations

¹ 2 U.S.C. §438(b).

**Draft Final Report of the Audit
Division on the
Ohio Republican Party State
Central & Executive Committee**

(January 1, 2007 - December 31, 2008)

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Part I

Background

Authority for Audit

This report is based on an audit of the Ohio Republican Party State Central & Executive Committee (ORP), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and financial investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must perform an internal review of reports filed by selected committees to determine if reports filed by a particular committee meet the threshold requirements for subsequent compliance with the Act. 2 U.S.C. §438(b).

Scope of Audit

Following Commission approved procedures, the Audit Division evaluated various risk factors and as a result, this audit examined:

1. The disclosure of individual contributors' occupational and name of employer.
2. The disclosure of disbursements, contributions and obligations.
3. The disclosure of expenses allocated between federal and non-federal accounts.
4. The consistency between reported figures and bank records.
5. The completeness of records.
6. Other committee information necessary to the review.

Part II Overview of Committee

Committee Organization

Important Dates	
• Date of Registration	October 5, 1982
• Audit Coverage	January 1, 2007 - December 31, 2008
Headquarters	Columbus, Ohio
Bank Information	
• Bank Depositories	Two
• Bank Accounts	10 Federal, Six Non-Federal
Treasurer	
• Treasurer When Audit Was Conducted	Mr. Paul Hong January 23, 2007 - present (see report)
• Treasurer During Period Covered by Audit	Ms. S. Brown January 28, 1999 - January 23, 2007
Management Information	
• Attended FEC Campaign Finance Seminars	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paul Hong

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2007	\$ 172,248
Receipts	
o Contribution - from Individuals	3,058,229
o Contribution - from Political Committees	1,666,512
o Transfers from Affiliates	11,851,559
o Transfers from Non-federal Accounts	2,385,909
o Offsets/Other Receipts	1,310,775
Total Receipts	\$ 20,272,984
Disbursements	
o Operating Expenditures	5,304,397
o Refunds of Contributions	1,747,000
o Independent Expenditures	50,000
o Coordinated Expenditures	13,003
o Federal Election Activity	10,710,668
o Other Disbursements	1,345,414
Total Disbursements	\$ 19,170,482
Cash on hand @ December 31, 2008	\$ 1,274,750

Part III

Summary

Finding and Recommendation

Reporting of Debts and Obligations

Audit fieldwork identified debts to five vendors that ORP failed to report. The debts totaled \$1,195,892. In response to the Interim Audit Report recommendation, ORP amended its reports to disclose these debts. (For more detail see p. 4)

Part IV

Finding and Recommendation

Reporting of Debts and Obligations

Summary

Audit fieldwork identified debts to five vendors that ORP failed to report. The debts totaled \$1,195,892. In response to the Interim Audit Report recommendation, ORP amended its reports to disclose these debts.

Legal Standard

A. Continuous Reporting Required. A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are paid or extinguished. 2 U.S.C §434(b)(8) and 11 CFR §§104.3(d) and 104.11(a).

B. Separate Schedules. A political committee must file separate schedules for debts owed by and to the committee with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. 11 CFR §104.11(a).

C. Itemizing Debts and Obligations.

- Once it has been outstanding 60 days from the date incurred, a debt of \$500 or less must be reported on the next regularly scheduled report.
- A debt exceeding \$500 must be disclosed in the report that covers the date on which the debt was incurred. 11 CFR §104.11(b).

Facts and Analysis

A. Facts

Disclosed reports filed by ORP during the audit period did not disclose any debts owed. Although ORP paid the majority of invoices timely, it carried outstanding balances with five vendors that were not disclosed as debts. During audit fieldwork, a review of vendor invoices and computer files identified debts totaling \$1,195,892 that should have been disclosed on Schedule D (Debts and Obligations).² The vendors consistently invoiced ORP for the balances due. Some of the undisclosed debts were outstanding prior to the beginning of the audit period.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff informed ORP representatives of this matter at the exit conference and provided schedules detailing the undisclosed debts for each reporting period for the audited cycle. ORP representatives indicated that amended reports would be filed.

² Each debt in this amount was counted once. In order for ORP to correctly file amended reports, the schedule provided included the amount of each debt required to be reported for each reporting period.

In the Interim Audit Report, the Audit staff recommended that ORP amend its reports to disclose the debts and obligations addressed above.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report, ORP filed amended reports disclosing the debts and obligations.